

VZCZCXRO1587

PP RUEHLN RUEHVK RUEHYG
DE RUEHDBU #1456 2851220

ZNR UUUUU ZZH

P R 121220Z OCT 07

FM AMEMBASSY DUSHANBE

TO RUEHC/SECSTATE WASHDC PRIORITY 1109

INFO RUEHIL/AMEMBASSY ISLAMABAD 2258

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UNCLAS DUSHANBE 001456

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E.O. 12958: N/A

TAGS: PGOV ECON TI

SUBJECT: PRICE OF FLOUR IN TAJIKISTAN DOUBLES

¶1. (U) Summary: The price of flour has risen 100 percent in Tajikistan in the last few weeks. Flour is a staple of the Tajik diet, and the price rise follows a regional trend of sharp inflation in foodstuffs. The government has sought to deflect responsibility for the price increases, but discontent is likely to simmer over the coming months. End summary.

¶2. (U) In recent weeks, the price of flour has risen by approximately 100 percent. A 50 kg sack of flour that cost 50-60 somoni (\$14-17) last month now costs 100-120 somoni (\$30-35). The average monthly wage in the country is approximately 30 somoni (\$8.50) in rural areas and 120 somoni (\$34) in urban areas. The price rise follows a regional trend of increasing food prices. Flour is a food staple throughout Central Asia, but it is particularly important in Tajikistan. Most Tajiks cannot afford alternatives, and rely on bread as the basis of their diets. Tajikistan imports most of its flour from Kazakhstan.

¶3. (U) Officials have assigned blame for the sudden price rises to a broad spectrum of sources, attempting to deflect direct criticism of the government. The government media has reported the price increases as being a function of world markets, over which the government has little control. During a recent forum televised on state television, government economists blamed corrupt customs officials for increasing the price of imported grain. The same economists cited the mafia for pushing business people and entrepreneurs out of the market.

¶4. (U) The government media has also attempted to assuage concerns about flour and grain shortages by reporting that Kazakhstan and Russia will ensure a ready supply. After a state visit by Kazakh President Nazarbaev in mid-September, state television broadcasted a press conference in which Nazarbaev said, "We will not let Tajikistan go hungry." The chairman of the state-controlled grain company recently announced the purchase of 5000 tons of Russian flour, which he thought would lead to price reductions.

¶5. (U) Public reaction has been muted. The average Tajik citizen bemoans the dramatic increase in food prices, but there have been no significant demonstrations. Independent newspapers have sharply criticized the authorities for not reacting quickly, and one paper published a survey in which half of the respondents believed that the price rises could be politically destabilizing. Opposition parties have called for the government to reduce tariffs on grain imports.

¶6. (U) Comment: While there are a number of reasons for the price rises, the government's failures to address corruption and reform the economy magnify the economic hardships that Tajiks are encountering. The government is approaching this issue as a short term phenomenon, but the soaring price of basic foodstuffs adds to simmering discontent with the government. Opposition

parties may exploit this discontent. The price rises are also a reminder that Tajikistan, the poorest country in the former Soviet Union, remains dependent on imports for approximately 80% of its food. Our best tool for dealing with the humanitarian consequences of food shortages and contributing to rural development in Tajikistan is the successful USAID Food For Peace program, which unfortunately will be discontinued after this year. End comment.

JACOBSON